



## **Insurers object to mandated health plans**

**A bill proposes that the insurers be required to put aside money to subsidize affordable health care for small businesses.**

**01:00 AM EDT on Tuesday, June 20, 2006**

**BY ELIZABETH GUDRAIS**  
**Journal State House Bureau**

PROVIDENCE -- Instead of lauding lawmakers' attempt to create affordable health-insurance options for small businesses, the state's largest insurers warned yesterday that the plan would make insurance more expensive for other subscribers. "We cannot keep loading taxes and costs on the health insurers and pretend that we're somehow making health care more affordable," R. Kelly Sheridan, lobbyist for UnitedHealthcare of New England, testified before the Senate Committee on Health and Human Services in the first public hearing on the seven-part package of health-care bills set to pass the General Assembly this session.

Committee members chastised the insurers' advocates for their lukewarm reception. "The problem is that we think a lot of these insurance companies are ripping us off," Sen. Charles J. Levesque, D-Portsmouth, told Sheridan. Levesque and others made reference to the more than \$1.5 billion in unexercised stock options amassed by United Health Group CEO William McGuire -- reported by The Wall Street Journal earlier this year -- and now the subject of a federal investigation and two lawsuits over the company's accounting practices.

The new program would use money collected from United and Blue Cross & Blue Shield of Rhode Island to subsidize premiums for small employers, with the goal of enabling more of those companies to offer health insurance.

The formula would peg the amount each insurer pays to the insurer's medical-loss ratio, which compares the amount of premiums collected with the amount paid out to providers and the administrative costs and profits -- essentially, a measure of efficiency.

Last year, United's medical-loss ratio was 79 percent, while Blue Cross' was 88, meaning Blue Cross was the more efficient of the two, at least by that measure. United representatives called the formula unfair, saying the company would pay \$4.1 million based on last year's numbers. But Blue Cross spokesman Scott A. Fraser estimated his company would actually pay more -- \$10 million -- under the formula, which also allows for a 2-percent premium tax on United and a 1-percent premium tax on Blue Cross if that amount is less than the tax amount based on the medical-loss ratio.

Fraser, too, said the funding structure would raise premiums for other subscribers. Because Blue Cross is a nonprofit, "there's only one place that money can come from, and that is our customers," Fraser said.

Sheridan said United would prefer that the state allow insurers to design affordable products in response to consumer demand, rather than designing the products for them. "State central planning didn't work in Russia and China," Sheridan said. "It doesn't work in Rhode Island in designing health care."

But Health Insurance Commissioner Christopher F. Koller said the hands-off approach hasn't worked for the state, because affordable, high-quality health plans haven't materialized. In the last three years, he said, the number of people insured in Rhode Island's small-employer pool -- defined as companies that employ between 1 and 50 people -- has dropped from 115,000 to 95,000, indicating that people in that group are rapidly losing insurance.

Koller said his office would not dictate all the health-plan details, but would instead do just what Sheridan was asking -- challenge the insurers to come up with affordable plans, within broad standards set by the state. "It's not about control," Koller said. "It's not about price fixing. . . . What we need is a range of choices for small businesses to choose from."

[egudrais@projo.com](mailto:egudrais@projo.com) / (401) 277-3045